




DEPARTMENT OF MENTAL HEALTH POLICY/PROCEDURE

SUBJECT CASH FLOW ADVANCE FUNDS ACCESS CRITERIA	POLICY NO. 812.02	EFFECTIVE DATE 06/15/2005	PAGE 1 of 5
APPROVED BY:  Director	SUPERSEDES 412.4 06/15/2005	ORIGINAL ISSUE DATE	DISTRIBUTION LEVEL(S) 1, 2

PURPOSE

- 1.1 To establish guidelines for access of cash flow advance funds by contracted agencies. This shall be enforced in conjunction with the financial viability requirements specified under DMH Policy 812.03.

BACKGROUND

- 2.1 The Department of Mental Health (DMH) provides cash flow advance funds to financially viable agencies but restricts access of the cash flow advance funds to agencies that have been determined by DMH financial staff to be non-viable. This restriction is being imposed in exercise of fiduciary responsibilities to minimize financial risk to the County. However, in order to ensure that critically needed services to clients are not adversely impacted, the Board of Supervisors has authorized DMH to provide cash flow advance funds to non-viable agencies but only when certain additional requirements, provided under Sections 3.2 and 3.3 below, have been satisfied. All agencies must meet the repayment requirement specified under Section 3.4 in order to continue access of the cash flow advance funds in the second and third year of their 3-year contract period.

POLICY

- 3.1 In the initial year of the 3-year contract period, DMH will make available cash flow advance funds to an agency that has passed the financial viability test.
- 3.2 In the initial year of the renewal of the 3-year contract period, DMH will make available cash flow advance funds to an agency that has prior contracting experience and has failed the financial viability test, only when certain additional requirements have been satisfied, as follows:
 - 3.2.1 Initial year of the 3-year contract period:



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- 3.2.1.1 The agency has maintained a positive record of contracting with DMH for the most recent three fiscal years;
- 3.2.1.2 The agency has a record of repaying its cash flow advances in a timely manner;
- 3.2.1.3 There is no indication of fraudulent activities related to the independent Certified Public Accountant (CPA) audited financial statements;
- 3.2.1.4 The Director of Mental Health certifies that the agency provides critically needed services; and
- 3.2.1.5 In regard to an agency that has not maintained a good repayment record, DMH will collaborate with the respective Board Office to determine what action should be taken regarding the agency's participation in the Cash Flow Advance Program.

3.3 In the first year of the initial 3-year contract period, DMH will make available cash flow advance funds to an agency that failed the financial viability test and has no prior contracting experience with the DMH, only when certain additional requirements have been satisfied, as follows:

3.3.1 Initial year of the 3-year contract period:

- 3.3.1.1 There is no indication of fraudulent activities related to the CPA audited financial statements, and
- 3.3.1.2 The Director of Mental Health certifies that the agency provides critically needed services.

3.4 In the second and third year of the 3-year contract period, DMH will make available cash flow advances to an agency that has repaid all cash flow advances of the previous year in a timely manner. Accordingly, DMH will reject cash flow advance requests from an agency that is found delinquent in repaying its cash flow advances from the previous year.



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PROCEDURE

- 4.1 **Initial Year of the 3-Year Contract Period:** The Provider Reimbursement Unit (PRU) will disburse cash flow advance funds to contracted agencies upon receipt of the required document(s) specified below.
- 4.1.1 Financially viable agencies must submit to PRU the Cash Flow Advance (CFA) Invoice within 15 days preceding each month of service as provided in the contract.
- 4.1.2 Non-viable agencies must obtain a CFA Limit Waiver Certification and submit the Cash Flow Advance Invoice to PRU. See Section 4.4 below for details of the Cash Flow Advance Limit Waiver Certification.
- 4.1.3 The Fiscal Audit and Monitoring Unit (FAMS) shall send the CFA Waiver Approval to PRU. See Section 4.4.4.1 below.
- 4.2 **Second and Third Year of the 3-Year Contract Period:** FAMS shall review the cash flow advance repayment record of the first year of the contract for the agency and appropriately notify the affected agency and responsible DMH program and financial units, as follows:
- 4.2.1 For agencies with good repayment record, advise PRU to proceed with the CFA disbursement accordingly.
- 4.2.2 For agencies that are delinquent in repaying their CFAs, notify the agency and the respective District Chief with program oversight responsibility for the defaulting agency(s) and provide PRU with a copy of the notice.
- 4.3 With regard to an agency that has not maintained a good repayment record, at the initiation of the responsible District Chief, the Department will collaborate with the respective Board Office to determine the action to be taken regarding the continuation of the agency's participation in the Cash Flow Advance Program.



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- 4.4 Waiver Process: At any time after receipt of the Financial Viability Report, the non-viable agency may submit a request to DMH for a waiver from the CFA limitation.
 - 4.4.1 The agency shall submit a Request for Cash Flow Advance Limit Waiver form to the District Chief who has oversight responsibility for the agency.
 - 4.4.2 Upon receipt of the CFA Limit Waiver form, the District Chief shall:
 - 4.4.2.1 Verify the agency's contracting record, if applicable;
 - 4.4.2.2 Determines if there is an indication of fraudulent activities related to the audited financial statements;
 - 4.4.2.3 Obtain an approval/denial signature from the appropriate Deputy Director on Section A and B of the form, as appropriate;
 - 4.4.2.4 Obtain the signature of the Director of Mental Health on Section D of the form, certifying that the agency provides critically needed services; and
 - 4.4.2.5 After obtaining the signatures indicated above, forward original signed form to the PRU.
 - 4.4.3 PRU shall verify the agency repayment record, initial the form, and forward the form to the Director of Financial Services for his/her signature. He/she shall then forward the form, complete with the required signatures, to FAMS.
 - 4.4.4 Upon receipt of the CFA Waiver form, FAMS shall review the completeness of the form and send an appropriate notice to:
 - 4.4.4.1 PRU to proceed with the disbursement of CFA funds to agencies that have obtained approval on their request for CFA waiver, or
 - 4.4.4.2 The agency whose request for CFA waiver has been denied.



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REVIEW DATE

This policy shall be reviewed on or before June 2010.